MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017 / 2018 SESSION

DAU5018 – AUDITING 1

(For Diploma Students Only)

28 OCTOBER 2017
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **4** pages with **5** questions.
2. Answer **ALL** questions.
3. Please write your answers in the answer booklet provided.

QUESTION 1

(a)

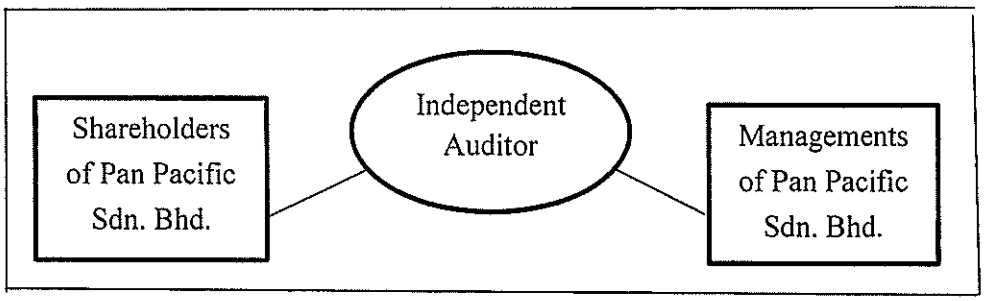

Figure 1

Figure 1 shows the relationships between a shareholder and the manager of Pan Pacific Sdn. Bhd with an independent auditor.

Required:

i. Based on the parties involved, briefly explain the roles played by the shareholder of Pan Pacific Sdn. Bhd., managers of Pan Pacific Sdn. Bhd. and the independent auditor. **(6 Marks)**

ii. List and briefly state the **TWO (2)** issues arise between both the shareholders and managers that cause conflicts between both parties. **(4 Marks)**

(b) "Audit report and findings done by an auditor is an important reference to both internal and external users of financial statements."

Required:

Provide any **TWO (2)** examples of external users of audit report and its purpose to each of these users. **(4 Marks)**

(c) State **TWO (2)** requirements that enable the resignation of an existing auditor under the Companies Act, 1965. **(2 Marks)**

(d) Explain the objective of the following types of audit:

i. Compliances audits **(2 Marks)**

ii. Operational audits **(2 Marks)**

[TOTAL 20 MARKS]

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QUESTION 2

(a) Name **TWO (2)** accounting standards issued by Malaysian Accounting Standard Boards (MASB) that are applicable as a guideline in financial reporting by companies in Malaysia. **(2 Marks)**

(b) Provide the **FOUR (4)** requirements that enable the auditor to state that "*the financial statements ..... are properly drawn up in accordance with approved accounting standards.*" in the opinion paragraph of a standard Auditor's Report. **(8 Marks)**

(c) Provide and explain any **TWO (2)** differences between internal audit and external audit by using the table shown below:

Differences	Internal audit	External audit

(6 Marks)

(d) List and briefly describe **TWO (2)** situations that caused an auditor unable to issue standard unqualified audit report and modified unqualified audit report. **(4 Marks)**

[TOTAL 20 MARKS]

QUESTION 3

(a) "According to ISA 700, one of the basic elements in an audit report is known as opinion paragraph where the independent auditor will express his or her audit opinion."

Required:

Briefly explain the contents in the opinion paragraph. **(4 Marks)**

Continued...

(b) "Auditor must grasp the real nature of risks their clients present and deal with them effectively. This is because the risks of material misstatements due to either fraud or error are likely to affect the type of audit report issued by an auditor."

Required:

Based on the above statement, you are required to list and briefly explain **THREE (3)** levels of material misstatements and the appropriate type of report to be issue by an auditor. **(9 Marks)**

(c) Name **FOUR (4)** methods used by an auditor to obtain corroborating audit evidence to test management assertions. **(4 Marks)**

(d) Provide any **THREE (3)** factors that may affect the reliability of audit evidence. **(3 Marks)**

[TOTAL 20 MARKS]

QUESTION 4

(a) Both Samantha and Dave were assigned to audit a new client, Company Y. During audit planning discussion, Samantha, the audit senior inform Dave, the audit assistant that they need to identify all related parties of Company Y before begin audit work. Dave was curious and asked Samantha, "Why do auditors need to identify all related parties of client company during audit planning?"

Samantha answered "It is because transactions between the entity and related parties may not be "*at arm's length*" and may affect our audit plan and strategy."

Required:

i. Based on the answer given by Samantha to Dave, explain the meaning of "*at arm's length*" by using an example. **(1 Mark)**

ii. Describe **THREE (3)** ways to identify related party of a company. **(3 Marks)**

(b) Provide any **THREE (3)** duties of an audit partner in an audit team. **(3 Marks)**

Continued...

(c) Briefly explain any **FIVE (5)** categories of assertions that is classified under ISA500, Audit Evidence. **(10 Marks)**

(d) "Audit committee acts as a direct channel of communication between management and the auditors."

Required:

i. What is audit committee? **(1 Mark)**

ii. State **ONE (1)** objective of audit committee. **(2 Marks)**

[TOTAL 20 MARKS]

QUESTION 5

(a) Explain the following important criteria in assessing the competence and objectivity of an internal auditor:

i. Technical competence **(2 Marks)**

ii. Organizational status **(3 Marks)**

(b) "According to ISA 400, auditors are required to have sufficient understanding of a company's internal control."

Required:

i. Provide any **TWO (2)** reasons on why an auditor should understand a company's internal control. **(2 Marks)**

ii. List **FOUR (4)** types of tools that is useful to the auditor to understand company's internal control. **(4 Marks)**

iii. Identify and briefly explain **THREE (3)** broad objectives that the managements aim to achieve in designing an effective internal control. **(6 Marks)**

(c) List **THREE (3)** limitations of company's internal control. **(3 Marks)**

[TOTAL 20 MARKS]

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